

## Extreme Outsourcing Article

Is it really possible to provide more and better services with fewer employees?

by Bob Veres

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In last month's issue, we mentioned a forthcoming book entitled *Virtual Office Tools For a High Margin Practice*--which, among other things, offers the small practice a guide to outsourcing practically every office chore that is not necessarily handled by the planner. In an e-mail newsletter, meanwhile, I mentioned a firm which will handle the data entry for the actual financial planning work--which may be one of the hardest tasks for the planning practitioner to let go of.

The combination of the two stirred up a bit of controversy. Is this a business model, to outsource everything? Where's the value-added when everything is done outside the office? One advisor went so far as to compare outsourcing the data entry work with the home-office-produced financial plans by large brokerage firms, which were selling, at one time, for \$100. "If you cannot write your own plan for the client," said this advisor's message sternly, "then you should not be a planner."

Let me introduce Sheila Chesney, who practices in Sheldon, SC, about halfway along the coastline between Savannah, GA and Charleston, SC. Among Chesney's clients are 30 doctors across three states (NC, SC and GA), who receive comprehensive planning work that includes the usual retirement, estate, tax planning etc., and also customized evaluations of nontraditional investments that they're considering. "One of the doctors is going to start a wellness center in Hilton Head, SC, with a physical therapy center, nutrition center--and it's a great location," she explains. "Another is investing in a dialysis machine; still others are putting money into the new construction of physician office buildings. And two clients are building fairly large homes right now, and I helped them find a contractor and handled the banking relationships."

In addition, Chesney sends her clients quarterly financial plan updates--which are a greatly expanded version of the traditional performance statement. They include updated income tax information, college planning updates and a reworked retirement model that shows the impact of the previous quarter on their retirement lifestyle. Meanwhile, on a monthly basis, she sends a fairly detailed economic review, including commentary on the performance of different asset classes and how that was reflected in the particular mutual funds her clients hold in their portfolios.

Chesney's client meetings tend not to be traditional. Since her clients are inevitably busy, and are struggling to find time to have a normal family life, she travels to their homes for face-to-face review meetings. "I have a urologist, very busy, and the last time we met was the 4th of July, out on the dock, because he got a new boat," she explains. "We talked about the new boat and things. I really work around what they need, more than my own practice location."

Now, with this level of service, try to guess how many support people Chesney employs in her office.

The answer, as it turns out, is zero. Chesney is a living example of a trend that I think is going to become very powerful, not just in the planning profession, but also in the business marketplace at large in the very near future. She is an Outsourcer, a person who, instead of looking for employees, looks for companies that perform the particular chore that she needs handled.

Let's start with the portfolio downloading work, which in most offices is handled by an office staffer who is also doing a lot of other routine office chores. "I have a friend in the business who, every six months she's training a new employee to handle her Centerpiece files," says Chesney. "It's hard to find somebody who is good at doing Centerpiece, and you really don't need that person for very many days out of the month--unless you are going to give them lots of other things to do."

The alternative? Chesney's Schwab reconciliations and quarterly reporting are all handled by Krisan Marotta, proprietor of Krisan's Back Office in Charlottesville, VA. "They set up a little web site for you, a secure web site where they download a zip file every Friday night with all my reconciliations," Chesney explains. "I pick it up on that web site and download it, and it unzips into Centerpiece, and Centerpiece updates all the accounts." Total cost: \$12 a client (up to 6 accounts per client), or, for Chesney, about \$600 a month--which, as she points out, is less than the cost of an employee.

There are other benefits as well. "Krisan knows things about Centerpiece and the downloading process that I wouldn't be able to train somebody to do," says Chesney. Better yet, she doesn't have to constantly worry about losing an employee and training another one, or paying somebody during those times when the workload is slow.

All right; what about the financial planning work? For that, Chesney works with Naomi Scrivener (nscrivener@cox-internet.com), whose only job is to input data into financial planning software (she uses MoneyPlan and Integrate). "A new client calls, I send him out a number of things including a questionnaire and a data checklist," Chesney explains. "When they send it all back, I scan it into my system and e-mail it to Naomi. She sticks all that information into a file called Dr. Jones--or whatever."

This, understand, is a scanned handwritten file. "I don't do any typing at all," says Chesney. "I also scan their wills, their account statements, their insurance policies, everything Naomi needs to build her file."

Of course, nobody ever gives all of their information in the first round of these processes, and so Chesney and Scrivener have a process for handling that as well. "She will enter everything in and find whatever is missing," says Chesney. "She will send me an Integrate file with as much information that she has been able to garner, plus a little memo that says, here are the things we are missing with this client." The next time Chesney meets with the client, she brings the Integrate file as it exists, "so I can show them how important it is for us to get good, complete data," she says. "Here are the things we need right now. And on a quarterly basis, you will continue to need to send me stuff, but I will always have a list for you."

Remember those quarterly financial plan updates? Those, too, are mostly created in Scrivener's office. "I send the Centerpiece information from Krisan over and Naomi uses them to update the plan," says Chesney. "At the beginning of the month, she sends me a checklist for each client with the required updated information, and I follow up with the client to get it to her."

Total cost for up-front planning data entry and quarterly plan updates that are more comprehensive than the normal performance statements: roughly \$600 a month.

What about the investment planning? And those monthly reports on the markets, the economy, and the funds that clients hold in their portfolios? Chesney believes that this is one area where her firm adds value for her clients. "Very few people come to me with any kind of a well designed portfolio," she says. "I take them through my philosophy, talk about tactical asset allocation models, we talk through their tolerance for risk, and then we choose a portfolio model."

As it happens, the materials on risk tolerance come from Advisor Intelligence, the service offered by Littman/Gregory for \$1,500 a year, and the model portfolios are largely adapted from AI's recommended list--which, of course, also have specific mutual funds included. "We build an Investment Policy Statement where I've kind of reworked AI's," says Chesney, "and then on an annual basis we talk through what has changed, do we need to make any adjustments, etc." The monthly reports are adapted from the AI monthly reports, credited but also customized. "AI provides more due diligence and mutual fund information than any client of mine would ever want or need," says Chesney, "and I often supplement it with articles that I find in other publications."

Add it up, and Chesney's various staff services are costing her in the neighborhood of \$1,350 a month. Her Centerpiece staffer is an expert, her casewriter is an expert, and the portfolio/research work is handled by experts. But she's not quite finished with the outsourcing; Chesney still has to get clients to supply their quarterly information, which is more a hassle contact than a financial planning call.

The plan is to outsource that service to Sherry Carnahan, of Total Office Solutions. "She is going to take over the responsibility of taking Naomi's "here's what I need" list and going back to the client and get it," says Chesney. "I'm not good at that; it is time-consuming and clients forget." In fact, if all goes well, Chesney will install a server sometime early next year that both Scrivener and Carnahan can access directly, to pull information back and forth, and eliminate Chesney as the middleperson. Carnahan can also send out the market commentary that is adapted from Advisor Intelligence's reports. "I can rewrite it and send it over in PDF file," she says. "Sherry has my stationary there, so she can print it out and put it in the envelope and mail it."

Estimated cost for Carnahan's involvement? About \$500 a month.

The theme here--and the reason why I think this may be a powerful trend-in-the-making--is that Chesney is working with specialists, who better understand their tasks on her behalf, and are more focused on them, than an employee at twice or even five times their cost. "You mentioned in your latest article that planners might be uncomfortable giving over the creative aspect to someone like Naomi," says Chesney. "But, in fact, what Naomi does for me is not necessarily the creative part. She could, but I want to retain that because I handle planning a little bit differently than most. What Naomi does is excellent, accurate data entry--and, more important, she verifies the integrity of the the data. No garbage in/garbage out. Then she and I together discuss how the data looks in the plan, discuss any "what ifs" that we should run, and then I do all of the planning from there."

Building on that theme, it looks to me like the traditional arguments for having employees in the office are breaking down as the Internet, e-mail, zip files all make it easy for a specialist employee to offer services to many firms at once. I envision a world where everybody is able to focus exclusively on an important skill that they do very, very well, and sell that service to multiple "employers" in the same way that financial planners are an inexpensive alternative to clients hiring a full-time personal CFO to work in their home or office.

As this insight ripples through the U.S. and global economy, I suspect that it will become the next driver of greatly increased business productivity. It certainly has served that role for Chesney.

But (some of you may be asking) where's the value-added here? What is left for the planner to do?

"I continually try to upgrade the level of service that I provide by educating myself and trying new things," says Chesney. "I believe that the level of expertise that most clients run into is mediocre. I want to be the best."

Best at what? "What clients are paying me for is the really creative wealth building and the support that tells them that they really can do this or that, because we're doing it together," says Chesney. "And for the contacts that I make that bring new opportunities to them. They pay me for strategizing with them and being a sounding board, not putting together two inch thick financial plans. Maybe one of the important things that I do for them is to encourage them to step out on a limb a little bit."

Chesney also feels that it's important to set an example, and keep her own life flexible and uncluttered. Having worked as a systems analyst with IBM in Connecticut before career changing to financial planning, she and her husband are enjoying uncommon freedom. "I didn't want to be physically tied to an office with staff sitting there waiting for my next direction," she explains. "I often work from my home, work long hours and variable hours--very often in the evening. I have dogs and I love being around them when I work and I have a horse and like to go out and ride sometimes in the late afternoon. Sometimes I want to work from my office in town. I travel to see my clients regularly and wanted to be able to work from wherever I am. So the virtual office structure has been my goal," she says, "and so far it seems to be working."

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